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## CHAPTER III. RECEIPTS AND EXPENDITURES.

## A. GENERAL REMARKS.

The financial statistics of receipts and expenses are involved in most bewildering confusion for purposes of comparison. As intimated above, the difficulties are of several classes :

1. There is frequently a discrepancy between the accounts of the treasurer and of the auditor or comptroller. In most cases this arises from the fact that, as in Massachusetts, the auditor includes in his receipts the cash balances on hand, while the treasurer does not. In other cases, however, like North Carolina, there seems to be no assignable cause for the discrepancies. In Tables III and IV below the figures are always given exclusive of balances. A peculiar method of book-keeping is found in New Jersey. Here the balances of the funds are counted among the disbursements. In all other commonwealths the balances are counted among the receipts. The only method to obtain a basis for comparison is, therefore, to deduct from the disbursements the balances of the other funds. This has accordingly been done in the tables below.

2. The same heading of source of receipts often has a different meaning, or includes entirely dissimilar elements in different commonwealths, *i. e.*, the tax differs both as to meaning and as to content. This point will be explained more fully below, when the separate sources of revenue are taken up and examined.

3. A serious cause of confusion arises from the fact that the commonwealth treasury acts simply as a vehicle for transferring the taxes to the minor subdivisions, the sums being entered both as receipts and expenditures. This occurs in several classes of cases :

(a) The most common instance is where the fund for school purposes is raised by a property tax in the counties, paid to the commonwealth and then redistributed to the counties. Naturally, the correct course to pursue would be not to classify this sum at all among regular receipts or expenditures. Yet the only case where this course is followed is North Carolina, and that is owing solely to the fact that the taxes (which here include others besides the property tax) levied for school purposes are rendered directly to the county treasurers, and not paid into the commonwealth treasury at all. Where the school expenses are defrayed out of a poll tax a number of commonwealths collect the poll tax and distribute it to the counties, while others make the poll tax a county tax payable directly to the county treasurer, and therefore not appearing on the commonwealth books.

The result is absence of correct data for comparison in this particular respect.

(b) It frequently happens that a portion of the corporation (especially railroad) taxes is distributed to the minor political divisions, the amount so distributed figuring both as receipts and expenses. The cases in which this occurs are nine in number:

In California a part of the railroad taxes goes to the counties in proportion to mileage and is put into the "railway tax fund" annually distributed. This amounted to \$56,342 as over against \$90,332 retained by the commonwealth.

In Iowa, in addition to the railroad commissioner tax paid to the commonwealth, the railroads paid \$987,027 in taxes to the county treasurers. But in this case the taxes do not figure at all in the list of commonwealth receipts. The confusion noted above is thus avoided but the railroads are made to appear to pay very small taxes.

In Maine a part (\$30,263) of the railroad and telegraph company taxes is distributed to the towns. The commonwealth thus in reality retains only \$68,837.

In Massachusetts of the \$2,933,513 paid by the "general list corporations" as tax on their corporate franchise, \$2,241,377 was distributed to cities and towns, leaving \$692,136 as the actual net commonwealth receipts.

In Mississippi two-thirds (\$93,545) of the privilege tax on railroads is distributed to the counties. The commonwealth thus in reality retains only \$46,773.

In New Jersey, in addition to the \$980,263 commonwealth taxes, the railroads paid to the commonwealth officials a separate tax of \$306,242, which was distributed to the taxing districts. This, however, does not figure among the commonwealth receipts.

In Washington two-thirds of the railroad taxes paid to the territory are put into the "county railroad fund" and distributed to the counties. This fund amounted to \$52,884.

In West Virginia \$198,267 of the railroad taxes were apportioned to the counties and districts, and \$15,036 to the municipalities, thus leaving the amount retained by the commonwealth only \$36,890.

In Wisconsin the commonwealth accepted certain lands to aid in the construction of the North Wisconsin Railroad, and exempted these lands from taxation until 1889. During the year \$51,513 were distributed to the counties from the North Wisconsin Railroad license tax.

In Table III below the entire railroad receipts are given in the case of Maine, Mississippi, Washington and West Virginia, while it has been practicable to give the portion actually retained by the commonwealth only in the case of California, Iowa and New Jersey.

One commonwealth, New Hampshire, possesses the proud distinction of what is in this respect an excellent method of book-keeping. It has two separate accounts — one of revenue and expenses, one of receipts and disbursements. The difference is made precisely to avoid the confusion just mentioned. The *receipts* and *disbursements* accounts are gross, including the sums received and paid out to minor divisions; the *revenue*

and *expense* accounts are net, excluding the above-mentioned sums. Thus, of the savings bank tax of \$505,129, \$495,416 went to the towns, \$45,713 to the literary fund; of the railroad tax of \$216,437, \$116,680 went to the towns; of the insurance tax of \$14,342, \$7,412 went to the towns. In Tables III and IV below only the revenue and expense accounts are given.

(c) The only remaining cases in which other receipts are distributed to the minor divisions are as follows:—

In Louisiana large taxes are paid by a few districts for levee purposes and are then expended in each particular district.

In Maine the commonwealth distributes to the counties the so-called county tax (\$12,960).

In Texas the treasurer pays the interest on the county bonds from the taxes levied in the counties.

4. Finally, much confusion results from the transfers from fund to fund. In some cases where the transfers are large, as in Michigan, it has been deemed advisable to follow the auditor-general's report in giving the actual cash receipts or disbursements. In Kentucky, owing to extremely large transfers, the receipts and expenses are swollen to an inordinate amount. In Virginia there is a separate account with the interest on the public debt which, however, simply consists of a transfer (\$533,269). In order to ascertain, therefore, the actual receipts it is necessary to deduct this amount from the total fund receipts. The treasurer indeed does this, but without any explanation. Perhaps the greatest confusion exists in Nebraska where there are no general accounts at all, but only fund accounts. It is almost impossible to unravel the confused thread. The figures given in Tables III and IV include \$268,299 of transfers, which are counted both in receipts and disbursements. In only one case, Nevada, are the receipts divided uniformly into "cash receipts," and "receipts by transfer." It is to be wished that other com-

monwealths would follow this good example. Even the larger commonwealths are not free from confusion. In Ohio, *e. g.*, there is no general statement of receipts from taxes *etc.*, as each of the funds is treated separately. It is necessary, therefore, to make an addition in each case. Two of the most glaring examples of bad book-keeping are found, strange to say, in New York and Massachusetts. On account of their importance it may be permitted to enter somewhat more into detail.

In New York, where there is a serious discrepancy between the treasurer's and comptroller's statements of the general fund, the total receipts of the commonwealth as given by both officers, and universally accepted, are \$17,800,055. One large item, however, as before stated, figures twice. The tax for canals (\$2,305,134) is counted in the receipts of the general fund, and again in those of the canal fund. This should, of course, be deducted from the nominal total. Again, in the receipts of two funds a distinction is drawn by the comptroller between the receipts on capital account and on revenue account. The former represents simply the sale of certain securities the proceeds of which were then invested in other securities, and counted among the disbursements, thus balancing each other. In the case of the common school fund this amounted to \$127,775; in the United States deposit fund to \$353 038. Manifestly, these should also be deducted from the receipts. Finally, there were transfers from four of the funds to each other of \$159,791. Making all these deductions, we find that the actual total receipts were \$14,854,417. Yet these figures nowhere appear in the reports. In a like manner corresponding deductions must be made from the nominal expenditures, making the actual expenses \$15,153,670 instead of \$17,626,557.

In Massachusetts the accounts are divided into revenue (general fund) and fund (sinking funds, trust funds, miscellaneous funds, and trust deposits) accounts. The "actual revenue," by which is meant the regular receipts of the general fund, amounted to \$6,922,330; the "revenue re-

ceipts," which included in addition the proceeds of loans and the disposal of the commonwealth interest in the Troy and Greenfield Railroad, amounted to \$14,749,108. Adding to this the fund receipts, the treasurer gives as total receipts \$23,546,078, while the auditor, who includes balances, gives (on pages 5 and 442) the elements which, when added, aggregate for total receipts \$27,244,321. These figures appear in Table III below. In reality, however, the proceeds of the Troy and Greenfield Railroad bonds are counted twice, once in revenue receipts and again in the sinking fund receipts. The actual receipts including balances would therefore be \$24,166,260, a figure which nowhere appears in the reports. Similar corrections must be made for the expenses.

Of course, in order to obtain the basis for a comparison of Massachusetts and New York with other commonwealths it would be necessary to take only what is known in Massachusetts as the "actual revenue," and in New York as the "general fund net receipts." But even this would not be entirely accurate, because in many cases the general fund account would include the payments for interest on the debt or other items, which in Massachusetts and New York would be included in the separate fund accounts. In order, however, to facilitate the comparison a separate heading of general fund receipts exclusive of balances has been inserted in Table III below.

Even thus the list of difficulties in making an adequate presentation of the statistics is by no means exhausted. In most of the commonwealths there is no attempt to classify the expenditures under general headings, so that I have found it necessary to do this myself. In one case, Texas, there is not even an approximate partial classification, but simply detailed separate warrants of a few dollars each, covering many pages. In this case, therefore, it has been found impracticable to classify them. The reasons for this neglect are not apparent, for the estimates for the coming year are all carefully classified.

In many cases there is no general summary of taxes, but

the taxes are divided into state taxes and school taxes; while in New Mexico there are six kinds of general property taxes, classified according to the purpose to which they are devoted.

It would seem from the foregoing explanations that the statistics of receipts and expenses are worthless for purposes of comparison and indeed in every compilation that has come to my notice this is perfectly true. Even in such careful manuals as Spofford's American Almanac the statistics are untrustworthy because they are continually confusing the general fund receipts with total receipts. In the tables given below perfect accuracy is not claimed, but every precaution has been observed to render the figures intelligible. The figures themselves are frequently the result of a most laborious computation and rearrangement. If they be read with a due observance of the precautions discussed above, and especially of the corrections mentioned later on in connection with the discussion of each separate source of revenue, they cannot fail to be of a certain value.

Table III gives a survey of commonwealth receipts.

In addition to the figures in Table III, the following receipts were found, not susceptible of classification:—

CALIFORNIA. Sale of jute fabrics of San Quentin	
prison, . . . . .	\$90,278
Sale of school text books, . . . . .	40,225
Certificate tax on mining corporations, . .	6,366
CONNECTICUT. Tax on non-resident stock of corporations, . . . . .	
	75,858
DELAWARE. Tax on manufactured spirits, . .	
	65
Sale of school books, . . . . .	5,640
GEORGIA. Capital tax (tax on property and railroads for new capitol), . . . . .	
	263,025
Insolvent general tax, . . . . .	6,634
Rental of Western and Atlantic R. R. Co.,	300,000
IOWA. Insane dues, . . . . .	
	205,920
Other charitable dues from counties, . .	40,229



KENTUCKY.	Tax on distilled spirits, . . . . .	17,955
	Tax on lotteries, . . . . .	4,000
	“ “ turnpike roads, . . . . .	5,593
	“ “ lightning-rod agents, . . . . .	1,500
	“ “ gas companies, . . . . .	8,683
	“ “ street railways, . . . . .	336
	“ “ city corporation, . . . . .	4,710
	Jury fees and fines for trustees jury fund, .	164,163
LOUISIANA.	State lottery, . . . . .	40,000
	Taxes for levee purposes, . . . . .	154,990
	Acreage tax for 5th levee district, . . .	48,108
	Cotton “ “ “ “ “ . . .	37,278
MAINE.	County tax, . . . . .	16,685
	Liquor commissioner, . . . . .	4,539
MARYLAND.	Tax on state and other stocks, . .	48,268
	Tax on commissions of executors and admin- istrators, . . . . .	39,360
	Tax on protests, . . . . .	1,532
	“ “ canned oysters, . . . . .	2,591
	State tobacco inspection, . . . . .	13,219
	Grain weighing, . . . . .	2,562
	State hay scales and live stock, . . . .	1,353
	Interest on personal accounts, . . . . .	6,017
MASSACHUSETTS.	Gas commissioners' tax, . .	10,860
	Gas companies' tax. . . . .	7,602
	Coal and mining companies' tax, . . . .	3,881
	Corporation taxes unpaid 1885-1887, . .	156,836
	Massachusetts reformatory income, . . .	41,034
	Almshouse, reform school income, . . .	20,486
	Cities and towns for paupers, . . . . .	86,722
	Interest on deposits, . . . . .	17,705
MICHIGAN.	Tax on mining companies, . . . . .	60,057
	Tax on plank and gravel road companies, .	1,629
	“ “ river improvement companies, . .	1,327
	Interest on part paid lands, . . . . .	32,719
	“ “ various funds, . . . . .	29,388

MINNESOTA.	Sale of pine timber, . . . . .	95,869
	Grain inspection, . . . . .	44,393
	Mining taxes, . . . . .	3,943
	Interest on deposits, . . . . .	12,815
	Counties for school text books, . . . .	35,474
NEVADA.	Tax on proceeds of mines (included in property tax), . . . . .	19,681
NEW HAMPSHIRE.	Interest on deposits, . . . .	1,782
NEW YORK.	Auction duty, . . . . .	17,417
	Salt duty, . . . . .	52,331
	Gas light companies' tax, . . . . .	2,500
	Pool tax, . . . . .	23,178
	Niagara reservation, . . . . .	7,766
	Sale of arsenal, . . . . .	15,000
	Interest on deposits, . . . . .	51,346
	Redemptions and sales, . . . . .	218,753
NORTH CAROLINA.	Special tax for interest on debt, . . . .	28,730
	Sale of old ordnance, . . . . .	9,438
OREGON.	Sale of insurance stamps, . . . . .	1,041
PENNSYLVANIA.	Tax on net earnings or income, . . . . .	88,074
	Tax on loans. . . . .	150,227
	“ “ writs, wills and deeds, . . . . .	149,298
	Sale of experimental farm, . . . . .	17,000
	Annuity for right of way, . . . . .	10,000
	Interest on United States bonds, . . . .	142,100
SOUTH CAROLINA.	Phosphate royalty, . . . . .	187,004
	Sinking fund commission, . . . . .	18,200
	Experimental farm and stations, . . . .	5,000
TEXAS.	Interest on county and state bonds, . . .	320,605
	Land office patent fees, preëmption dues <i>etc.</i>	40,892
	Interest on asylum lands, . . . . .	25,000
	Interest from railroad companies, . . . .	92,537
	U. S. government indemnity fund, . . . .	922,541
VERMONT.	Transportation companies' tax, . . . .	7,527
	Trust companies' tax, . . . . .	17,876
	County clerk's judgments and balances, .	48,108
	From towns for highways and bridges, . .	2,258

VIRGINIA. Income tax, . . . . .	15,939
Tax on law processes, deeds and wills, . .	98,528
Tax on steamboat companies, . . . . .	1,425
Oyster tax, . . . . .	13,756
Sewing machine licenses, . . . . .	2,024
WASHINGTON. Tax on coal, . . . . .	1,563
WEST VIRGINIA. Tax on seals of state, . . .	454
WISCONSIN. Suit tax, . . . . .	5,286
Indemnity fund, . . . . .	53,511

Those receipts which require special discussion will be treated in detail below.

Table IV gives a survey of commonwealth expenditures.

In addition to the figures in Table IV, the following expenses were found, not susceptible of classification:—

KANSAS. Silk culture, . . . . .	6,555
MAINE. Indians, . . . . .	20,640
MARYLAND. Oyster fund, . . . . .	67,913
State tobacco inspectors, . . . . .	8,550
MICHIGAN. Interest paid on trust funds (con-	
sisting of Michigan bonds), . . . . .	770,256
MINNESOTA. Grain inspection, . . . . .	79,433
School text books, . . . . .	39,674
Fire companies, . . . . .	27,285
NEW HAMPSHIRE. White mountain roads, . .	3,395
NEW JERSEY. Home for disabled soldiers, . .	113,305
Advertising, . . . . .	52,437
Gettysburgh monument, . . . . .	23,494
Dairy protection, . . . . .	11,405
NEW YORK. State soldiers' and sailors' home, .	[143,000
Gettysburgh monument, . . . . .	70,374
State museum, . . . . .	16,990
Game and fish protection, . . . . .	11,823
Oyster protection, . . . . .	2,009
State board of charities, . . . . .	53,440
Electric subway commission, . . . . .	71,851

Onondaga salt springs, . . . . .	67,783
Quarantine, . . . . .	45,306
Shore inspector, . . . . .	26,961
Niagara state reservation, . . . . .	140,000
Labor statistics, . . . . .	22,051
Factory inspectors, . . . . .	18,313
Board of arbitration, . . . . .	18,055
Indians, . . . . .	6,225
Canals, . . . . .	2,188,047
PENNSYLVANIA. Gettysburgh monument, . .	15,000
Soldiers' home, . . . . .	151,850
Inspectors of coal mines, . . . . .	48,909
SOUTH CAROLINA. Sinking fund commission, .	21,964
WISCONSIN. Bounties on animals, . . . . .	7,391
WYOMING. Veterinarian, . . . . .	5,771
VIRGINIA. Oyster fund, . . . . .	19,153
Miller fund, . . . . .	89,340
Sinking fund, . . . . .	50,000

It will be seen that the expenses of the commonwealths are mainly for education, general salaries, charity, interest on the debt, pensions and military. The following cases are the only ones that deserve a special mention : —

In *California* we find an immense item for expenses of paupers. This is due to the act of 1883 which appropriated \$100 annually for each aged person in indigent circumstances in certain institutions. The courts held this act to be applicable also to the counties. As a result the commonwealth is heavily burdened for purposes which can be attained more cheaply by the counties. The comptroller recommends the abolition of the law.

The finances of the commonwealth are disarranged by the persistent refusal of two railroad corporations to pay back taxes, which in four years amounted to \$2,547,701 without interest. The cases have lately been decided in favor of the railroad companies by "legal chicanery," owing, as the comptroller thinks, to gross negligence on the part of the attorney-general.

The comptroller recommends the passage of an act providing for a reassessment of the delinquent railroads, and maintains that the commonwealth can thus ultimately obtain its dues.

An act of 1887, entitled "an act to prevent the sophistication and adulteration of wines" provided for the sale by the comptroller of wine labels bearing the inscription "pure California wine," which were to be affixed to every bottle or cask. The court has lately decided that this act was only "directory," not "mandatory." The result is a serious decrease in the sale of labels and receipts therefrom. The large firms, so the comptroller assures us, still continue to use them.

In *Kansas* we find evidences of an unusually protective spirit. A law of 1887 provided for the payment of a bounty upon all sugar manufactured in the commonwealth. The comptroller, however, refuses to pay a bounty until the appropriation be made more definite. But his patriotism appears in the recommendation that "not one pound of imported iron" should be used in the construction of the state house.

In *New York* the main element of expense was, as usual, for canals. Of the \$2,788,047 expended, \$753,150 went for repairs, \$501,650 for paying off a portion of the canal debt, \$372,997 for interest on the canal debt, and \$466,835 for investments for the canal debt sinking fund. The receipts on account of canals were \$3,246,523 of which over two-thirds were derived from taxes, the remainder from sale of bonds and interest on principal.

The comptroller rejected some of the claims (\$60,950) of the city of New York for the expenses of conducting the "boodle cases" as not falling within the provisions of the constitution, on the ground that the items were "extraordinary, if not extravagant."

The comptroller calls attention to the fact that the expenses of many commissions in this and other commonwealths are paid by a *pro rata* assessment on the parties interested, *e. g.*, railroads, insurance companies, banks *etc.* He recommends that the manufacturers of the commonwealth be specially

assessed to pay for the support of the Board of Mediation and Arbitration, the factory inspectors, and in a measure the Bureau of Labor Statistics.

In *Tennessee* about one-third of the commonwealth expenses are incurred for criminal prosecutions. The comptroller states that his predecessors have frequently, but in vain, recommended that the counties assume their own expenses in these cases. The same complaint and suggestions are made in *Kentucky*.

It must not be supposed, however, that the figures given in Table IV under the heading "Education" correctly represent the total amount spent *in* (not *by*) the commonwealth for educational purposes. On account of the interest attaching to this particular item of expenditure, the following summary is appended showing the expenditures by state and local governments for public schools in the commonwealths. The statistics are for 1887, unless otherwise stated.

## EXPENDITURES FOR PUBLIC SCHOOLS.

Alabama, . . . . .	\$600,000	Missouri, . . . . .	\$4,357,636
Arkansas, . . . . .	36,909	Montana, . . . . .	288,575
Arizona, . . . . .	117,276	Nebraska, . . . . .	2,548,173
California, . . . . .	3,954,333	Nevada, . . . . .	128,825 <sup>1</sup>
Colorado, . . . . .	865,029	New Hampshire, . . .	615,357
Connecticut, . . . . .	1,768,371	New Jersey, . . . . .	2,736,529
Dakota, . . . . .	1,364,280	New Mexico, . . . . .	28,793
Delaware, . . . . .	269,528 <sup>1</sup>	New York, . . . . .	13,760,670
Florida, . . . . .	449,299	North Carolina, . . .	653,037
Georgia, . . . . .	711,990	Ohio, . . . . .	9,353,639
Idaho, . . . . .	135,313 <sup>1</sup>	Oregon, . . . . .	568,811
Illinois, . . . . .	10,134,150	Pennsylvania, . . . .	10,129,733
Indiana, . . . . .	5,016,679	Rhode Island, . . . .	775,202
Iowa, . . . . .	6,011,804	South Carolina, . . .	424,426
Kansas, . . . . .	4,065,467	Tennessee, . . . . .	1,047,223
Kentucky, . . . . .	1,755,107	Texas, . . . . .	2,840,000
Louisiana, . . . . .	450,030 <sup>2</sup>	Utah, . . . . .	217,939
Maine, . . . . .	1,057,572	Vermont, . . . . .	614,248
Maryland, . . . . .	1,839,826	Virginia, . . . . .	1,575,324
Massachusetts, . . . .	7,000,084	Washington, . . . . .	305,365
Michigan, . . . . .	4,730,665	West Virginia, . . . .	1,087,675
Minnesota, . . . . .	3,245,757	Wisconsin, . . . . .	3,115,436
Mississippi, . . . . .	839,797	Wyoming, . . . . .	125,000

<sup>1</sup> 1885-1886. <sup>2</sup> 1885.

## B. THE POLL TAX.

The poll tax or capitation tax as found in the commonwealths is levied on all males from 20 or 21 years to an age varying from 45 to 60 years. In Massachusetts females who desire to pay the poll tax as a qualification for active citizenship are permitted to do so. In Georgia foreigners also are liable to the poll tax. The poll tax is levied either entirely or in part for school purposes, except in Colorado where it goes into the military fund, and in Connecticut where it is levied as a military commutation tax.

The poll tax is found in twenty-six commonwealths. In eight of these it is paid in as a separate commonwealth tax, *viz.* Alabama, California, Colorado, Connecticut, Idaho, Indiana, Nevada and Virginia. In eleven cases the poll tax is levied for commonwealth purposes, but is included in the items of the general property tax, *viz.* Georgia, Louisiana, Maine, Massachusetts, North Carolina, Rhode Island, South Carolina, Tennessee, Texas, West Virginia and Wisconsin. In most of these cases the amount of the poll tax is thus not ascertainable. In the remaining seven commonwealths the poll tax is paid directly to the counties, or exists only as a local tax, *viz.* Arkansas, Mississippi, Nebraska, New Hampshire, New Jersey, New Mexico and Oregon. In three of the above cases the poll tax is shared by the commonwealth and counties, *viz.* Indiana, Nevada and North Carolina. In twenty commonwealths, therefore, there is no poll tax, *viz.* Arizona, Dakota, Delaware, Florida (although one is authorized by the constitution), Illinois, Iowa, Kansas, Kentucky, Maryland, Michigan, Minnesota, Missouri, Montana, New York, Ohio, Pennsylvania, Utah, Vermont, Washington and Wyoming. In some of these commonwealths the poll tax is prohibited by the constitution; but in a few other cases, as *e. g.* in Vermont a poll tax is levied for town purposes. We find also in many instances a local road poll which, however, does not properly fall within the domain of common-

wealth finance. In four commonwealths the payment of the poll tax is a condition of the suffrage, *viz.* Georgia, Massachusetts, Nevada and Rhode Island.

In most cases the poll tax is very imperfectly collected. The natural inequality of the tax in our present economic development is thus heightened, for the tax is generally assessed on those least able to pay it. In Georgia and New Mexico the auditors complain that scarcely anyone pays a poll tax unless he is already assessed for the property tax. And there is little reason to doubt that the situation is analogous in most commonwealths. Thus the poll tax which is meant to be borne by all is paid only by those who already bear perhaps more than their share of the general property tax. The number reached by the poll tax is in general very small. Massachusetts seems to be an exception. The poll tax here amounted to \$1,096,029, and the number of polls to 2,553,845. In most of the cases where the poll tax is included in the receipts of the general taxes no separate figures are given in the financial reports, as is evident from Table III. Texas and West Virginia form the only exceptions.

### C. THE GENERAL PROPERTY TAX.

The general property tax for general commonwealth purposes is found in all but four commonwealths: Delaware, New Jersey, Pennsylvania and Wisconsin. In Delaware there has been no property tax since 1877, as the expenses are defrayed mainly by licenses and railroad taxes. In New Jersey there is only a school tax on property, but no property tax for general commonwealth purposes. In Pennsylvania the commonwealth tax is levied only on personal property. In Wisconsin the so-called state tax is levied only to defray the interest on the debt, and for the purpose of contributing to the university (one-eighth mill tax), school (one mill tax) and insane expenses. But there is no property tax for general purposes. In addition to these four cases a property tax



is levied in Vermont only in case the corporation taxes do not suffice to defray the entire commonwealth expenses.

The tax figures in the reports under the name of general tax, state tax, general revenue, property tax or county tax (so called because levied in the counties). In a few cases we find special designations: in Kentucky it is called sheriffs' revenue, in Tennessee trustees' state tax, in Texas the state *ad valorem* taxes.

As has been already stated (p. 387) one source of confusion in the finance statistics arises from the fact that the figures given under the heading general property tax sometimes include other sources. The most common example of this confusion is to be found in connection with the poll tax. In eleven cases the property tax includes the poll tax *viz.* Georgia, Louisiana, Maine, Massachusetts, North Carolina, Rhode Island, South Carolina, Tennessee, Texas, West Virginia and Wisconsin. In only two of these cases, Texas and West Virginia, are the poll taxes so included separately given. In the other nine cases, therefore, it is impossible to state the exact receipts from the property tax as apart from the poll tax.

The remaining cases of inclusion of other receipts in the property tax are as follows: In Alabama the general property tax includes the taxes on dividends of incorporated companies (\$279), on auction sales (\$1,415), on insurance companies' premiums (\$2,188), on commissions of factors and brokers (\$1,249), on receipts of cotton pickeries (\$879), on gross receipts of gas and water works and gins (\$2,024), on receipts of telegraph, telephone, and electric light companies (\$3,974), and on the capital stock of corporations (\$17,459). In Nevada the property tax includes the tax on net proceeds of mines known as the bullion tax. In Georgia and Massachusetts the general taxes include the tax on incomes. In Ohio the grand duplicate includes the gross premiums of insurance company agents, which are returned to the county auditors and taxed like other property. In Illinois the general tax includes the net receipts of insurance companies.

With these exceptions the statistics in Table III will be found to be accurate. It must be remembered that the general tax does not include the school tax unless specifically designated. The proceeds of the school tax are included in the receipts of the school fund, in Table I.

In the discussion of the statistics of the general property tax there are two points to be noticed — the lack of uniformity in assessment, and the failure to reach personal property. We take up first the question of

#### *Assessment and Equalization.*

The statistics of the assessed valuation of property as found in the financial reports are tolerably complete, although in several cases only the total valuation is given without any classification. At the same time we find here again sad evidence of the lack of uniformity in the reports. In many cases where railroad property is taxed, separate figures additional to the total property assessment are given for the railroad assessments. In other cases the railroad assessments are found in a special table, but are nevertheless included in the total property assessment. In some cases again they are included under real property, and in one case, Indiana, under personal property. In a number of instances, finally, they can not be found at all in the reports, but are indiscriminately included in the county assessments. In Missouri and Nevada, moreover, the assessment of telegraph companies' property is given separately, but not included in the general total. In Table V below an attempt has been made to put the figures intelligibly and to explain them by means of the notes.

Many of the auditors' or comptrollers' reports descend into detailed minutiae of the various kinds of personal property. But as these assessments are notoriously incomplete no useful purpose would be subserved by tabulating the figures. They would give a preposterously incorrect view of the relative amount of such personal property. On the other

hand in a few commonwealths we find statements of the different classes of improved and unimproved real estate. However useful these might be for the discussion of the "single-tax" arguments, especially where figures of lands and of betterments are given, the classification is made in so few cases that an attempt to tabulate the results would be of little value. It is much to be desired that all the commonwealths would follow the good example of California and West Virginia in this respect.

The assessments are made annually or biennially according to the meetings of the legislature. In Michigan, however, assessments are made only every five years, in Vermont every four years, in Ohio every ten years.

Table V shows the statistics of valuation and rate of taxation as given in the last reports.

The lack of uniformity in assessment is due to the fact that the property tax is a commonwealth tax, apportioned to the various counties in proportion to the county valuation. As a natural result every county seeks to make its valuation as small as possible, in order to escape its share of the burden. The letter of the law is disregarded and the assessment depends solely on the whim of the individual assessor. In most commonwealths the law requires the property to be assessed at the market value, or full value, or real cash value, or fair cash value. As an actual fact, however, all possible proportions are followed. The auditor's and comptroller's report, teem with complaints, especially as the actual lowering of the valuation renders it necessary to raise the rate. Thus the Alabama auditor calls attention to the "wholesale undervaluations in assessments." He shows that "under the present irregular and defective assessments some counties have their property assessed at two-thirds its value, some at one-half, and others still at one-third; and the discrepancies and discriminations in the assessment of the property of different individuals within the counties is still more marked." He proposes as a remedy "to gradually raise

Table V. ASSESSMENTS OF PROPERTY.

		Real Estate. 000 omitted.	Personal Property. 000 omitted.	Total. 000 omitted.	Railroads. 000 omitted.	Rate for State Purposes. Mills.
Alabama.....	1888	\$123,207	\$88,357	\$211,565	\$35,308 <sup>2</sup>	5.50
Arkansas.....	1887	90,760	57,500	148,260	15,505	2.00
Arizona.....	1887	.....	.....	26,314	.....	6.30
California.....	1888	892,034	114,168	1,808,045	43,243	5.04
Colorado.....	1886	.....	.....	124,269	.....	4.00
Connecticut.....	1888	.....	.....	349,725	.....	1.25
Dakota.....	1888	.....	.....	161,420	.....	2.90
Delaware.....	none.	.....	.....	.....	.....	....
Florida.....	1888	70,616	16,936	87,552	.....	3.00
Georgia.....	1888	196,616	132,246	327,863	29,304	3.56
Idaho.....	1888	10,165	11,283	21,625	.....	3.50
Illinois.....	1888	568,847	142,354	784,911	68,620	4.40
Indiana.....	1888	.....	220,932	769,475	61,314 <sup>1</sup>	1.25
Iowa.....	1887	360,912	101,665	501,370	38,723	2.50
Kansas.....	1888	242,420	56,444	353,248	52,829	4.10
Kentucky.....	1887	351,167	132,335	484,449	33,547	4.75
Louisiana.....	1886	149,146	63,580	212,726	.....	6.00
Maine.....	1888	148,489	60,220	208,709	.....	2.75
Maryland.....	1888	.....	.....	490,016	.....	1.77
Massachusetts.....	1888	1,460,520	532,284	1,992,804	.....	1.15
Michigan.....	1888	.....	.....	945,450	.....	2.06
Minnesota.....	1888	450,070	106,126	556,196	.....	1.70
Mississippi.....	1887	90,270	36,617	126,887	.....	3.50
Missouri.....	1888	552,947	185,474	789,692	47,705	4.00
Montana.....	1888	27,263	.....	67,432	.....	2.00
Nebraska.....	1888	107,032	48,458	176,012	28,574	7.50
Nevada.....	1888	17,014	9,725	26,739	9,124	9.50
New Hampshire..	1888	.....	.....	180,826	.....	1.90
New Jersey.....	1888	.....	.....	603,676	.....	0.25
New Mexico.....	1887	.....	.....	56,000	.....	5.00
New York.....	1888	3,122,588	346,611	3,469,199	.....	2.62
North Carolina..	1887	133,438	71,388	204,837	10,287	2.00
Ohio.....	1888	1,200,064	531,994	1,732,059	96,997 <sup>2</sup>	2.90
Oregon.....	1887	.....	.....	84,888	.....	5.20
Pennsylvania.....	1888	none.	429,751	429,751	.....	3.00
Rhode Island....	1886	243,658	84,872	328,530	.....	1.20
South Carolina..	1888	84,261	41,407	141,986	16,318 <sup>2</sup>	5.00
Tennessee.....	1887	254,126	43,078	297,205	32,290 <sup>2</sup>	3.00
Texas.....	1888	483,920	240,007	681,085	55,779 <sup>2</sup>	3.25
Utah.....	1887	.....	.....	37,894	.....	6.00
Vermont.....	1887	.....	.....	175,015	.....	1.20
Virginia.....	1888	260,609	83,245	343,955	36,575	4.00
Washington.....	1887	40,230	21,733	61,563	.....	2.50
West Virginia...	1888	119,414	44,469	163,863	15,501	3.50
Wisconsin.....	1887	455,342	125,922	581,264	.....	1.57
Wyoming.....	1888	.....	.....	27,330	3,669	6.03

<sup>1</sup> Included in personal property. <sup>2</sup> Included in total.

assessments all over the state to the market value of the property, and at the same time reduce the tax rate as the values increase." He significantly adds: "the failure to execute the assessment laws results injuriously to honest tax payers, tends to discourage immigration through an unnecessarily high tax rate, and impairs the standing of the state abroad by a fallacious depreciation of property." In Dakota where the auditor publishes the assessment law with instructions and comments, we find the following injunctions on the cover: "the law emphatically requires the listing of property under oath, at its full value. Any thing less than this is perjury. A low assessment by any county does not reduce the amount of taxes which it has to pay, and confers no advantage whatever, temporary or otherwise. A full and fair assessment does not increase the amount of taxes which any county has to pay, and confers the advantage of a good reputation for the county and territory, by a favorable showing as to their resources, and by a low rate of taxation." In Dakota this is true because an average is taken of all property in the territory, and the levy of each county is raised or lowered according to whether the valuation in the county is above or below this average.

In Georgia the comptroller issues a book of most elaborate instructions to the tax receivers, and he states in the instructions for 1889 that "our lands are worth a great deal more than they are being returned for taxation." He adds: "there is very just complaint against the custom or practice of tax payers returning city and town property to the receiver of tax returns, for the state and county, at a much lower valuation than the same property is returned to the corporate authorities for taxation. It must be manifest to everyone that property is worth as much when returned for taxation to the state and county as when returned to be taxed by the cities." In Illinois the auditor criticises "the failure of the assessors to carry out the plain requirements of the present revenue law in the assessment of the property of this state at

its fair cash value." He sadly complains that, while the machinery for the collection of taxes is perfect, that for the assessment of taxes is very far from perfect. In Idaho the comptroller states that "there is no such thing as uniform valuations for taxation, as contemplated or required by law. . . . The question is left to the caprice and too often biased judgment of county assessors. . . . It seems indisputable that unjust discriminations are made in the assessment of property, and . . . that the heaviest burdens fall on those least able to bear them." In Iowa the auditor tells us that "if the county supervisors required property to be assessed at its cash value or somewhere near it, the state levy might and should be reduced, but until they do it will be necessary to continue the extra levy. I am sorry to add, however, that the tendency seems to be to decrease rather than to increase the assessment. Under the present system of assessment the state of Iowa suffers in comparison with other states, both as to valuation of property and rate of taxation; and at the same time the tax payer is not benefited, as an increase in assessment would result in a corresponding decrease in rate of taxation." In Minnesota the auditor states that he "will suggest but few reforms unless the change be made of our present township assessment system to a county assessment system. Such a change is considered of the very first importance." He bases his recommendation on the ground of grievous lack of uniformity in assessment. In Nevada the auditor illustrates the "present vicious system of assessing property" by a number of striking examples. He states that the assessors regard the law as "a kind of go-as-you-please," and attempt to evade their obligations by shifting them on to the poorer counties. The legislature has been frequently importuned, without avail, to devise some system of equalization.

These extracts might be multiplied indefinitely, all pointing to the same lesson. It is well known that an attempt has been made to lessen some of the evils by the creation of

*boards of equalization*, whose function it is to equalize the valuation of the various counties, and thus to remove some of the disparities. Such boards of equalization now exist in twenty commonwealths, *viz.* Arizona, California, Colorado, Dakota, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, New Hampshire, New York, Ohio, South Carolina, Wisconsin and Wyoming. In Massachusetts the tax commissioner acts as equalizer. In Vermont the board ceased to exist in 1884. But these boards are makeshifts at their best, and it is questionable whether they have not done as much harm as good by their often arbitrary action. That they have by no means cured the evil is plain from the fact that many of the extracts just given are from the officers of commonwealths possessing boards of equalization.

Boards of equalization are really of two classes: (1) those simply with power to add to or subtract from the total county valuation as reported, on the principle that what is added to one is subtracted from another county, and (2) those with power to increase or decrease the valuation of particular pieces of property without regard to the fact whether the total commonwealth valuation is altered thereby. The complaints are numerous in both cases. In California the board of equalization complains that since its existence the legislature has taken no notice of any of its suggestions. The board maintains that it has but slight means to ascertain the ratio which the assessed valuation bears to the true cash value of the property. If it takes the considerations mentioned in the deeds as the indicia of values, the objection is raised that fictitious considerations are expressed for the purpose of inflating values. If it takes the valuations as made by the appraisers of the estates of deceased persons, the objection is urged that appraisers "invariably overvalue property either from ignorance or motives not complimentary to their integrity." "It would appear from this," sadly concludes the board, "that sellers and buyers and appraisers of estates are

generally incapable of telling the truth." In Connecticut the board complains of lack of power to obtain the information necessary to enable the board to equalize and adjust the lists of the different towns. Furthermore it possesses no power to add any property to the lists of towns where property has been omitted. Only the property contained in the lists can be equalized by the board. In Illinois the board confesses that the aggregate valuation of property as assessed by the local assessors is continually decreasing, and that it is powerless in the premises. It recommends that the law be so amended as to empower the board to increase the aggregate of local assessments up to twenty-five per cent if necessary.

In New York the reiterated charge that New York city is sacrificed to the rural counties has become notorious. It must be said in fairness that the rural counties in turn make similar complaint. An evidence of the opportunity afforded by equalization for subserving personal or political ends is seen in the scandal which has arisen during the past year in regard to the King's county assessment. The valuation of Brooklyn was said to be arbitrarily raised by the board in order to enable one of its members to move for a reduction, and thus claim political preferment. The board itself states that these complaints will continue to be heard until some plan of raising revenue is devised, whereby no equalization between counties is required. "Till that time may come no board or officials, however diligent or however conversant they may be with the subject, can make an equalization which to themselves will be absolutely satisfactory." A conclusion with which all students of finance will heartily sympathize.

Bad as the matter is with the state boards of equalization, the case is still worse with the *county boards of equalization*. In many of the commonwealths where the state board of equalization has no power to alter the valuation of individual pieces of property, but only the aggregate county valuation



as *e. g.* in California, New York *etc.*, the power of equalizing the valuation of the towns, or in some cases of each individual piece or person in the county, is given to the county board of equalization. Here the complaints described above are only intensified. In California the state board asserts flatly: "county equalization as usually conducted is a farce, and will continue to be so until citizens of the county awake to the necessity of adjusting the differences of valuation *in* the county as the prime and essential foundation for the equalization *between* counties." And what is true of California is more or less true of the county boards in all the commonwealths.

The inference from all these facts, so far as our present purpose is concerned, is that the statistics of valuation and assessment are of exceedingly little value for purposes of comparison. If all the property, or if even all the real estate, in the commonwealths were assessed at some fixed ratio to its actual value, we would at least possess some data for a comparison. But as long as each commonwealth or county appraises its property at an arbitrary rate which does not appear on the books and which differs in each instance, it is manifest that the figures afford no exact criterion of actual proportions, and that any conclusion based on the assumption of the correctness of the statistics would be utterly fallacious. The best that can be done, here again, is a bare approximation to the truth.

The second of the two points to which attention should be called is

### *The Assessment of Personal Property.*

Here we enter upon a field which has been so well worked that it will be advisable to give only a few illustrations from the latest reports. Everywhere, without any exception, we are met with the most grievous complaints about the utter impossibility of reaching personal property under the present laws or methods of administration.

In Alabama the auditor speaks of "the escape of vast amounts of property altogether from taxation," and notes the fact that "conscientious tax payers bear more than their share of the burden." In California the state board of equalization asserts that "it needs no argument to show that the money and merchandise of this state in a large degree escape taxation," and advances some striking examples. From 1878 to 1888 the valuation of real estate increased 98 per cent; personal property exclusive of money 35 per cent; money 24 per cent,—the figures in 1888 being respectively 910, 145, and 11 millions. It adds: "much personal property escapes assessment because not visible to the assessor. The assessor is the assessor of land, but the citizen is his own assessor [of personal property], with every incentive to undervaluation." But also in regard to visible personal property similar complaints are made. To take one example: the wool product of the commonwealth was 30,000,000 pounds, the amount of wool assessed only 857,400 pounds — and that too at a ridiculously low rate. "It is thus seen," concludes the board, "that the burden of taxation is unequally borne by the landed interests." It must be remembered that California has lately been pointed out by some writers as an excellent example of the possibility of reaching certain personal property. The testimony and statistics of the commonwealth officers however flatly contradict this assumption. In Georgia the comptroller general in his "instructions" states that merchandise "is not returned as it should be," that stocks, notes, accounts *etc.* are "seldom ever returned by the owners thereof for taxation," although they form "a considerable item of the wealth of the state, *etc.*" In Idaho the controller, after stating that the heaviest burdens of taxation fall on those least able to bear them, adds: "if it be possible to enact any measures by which a just and fair cash valuation of all property could be reached, the fact seems clear and incontestable that the wealth of the territory in personal property for purposes of taxation would largely predominate over that

of real estate and improvements." In Illinois the auditor complains of "the failure of the assessors to carry out the plain requirements of the law," asserting it to be absurd that four-fifths of the property tax should fall, as it actually does in Illinois, on real estate. In Kentucky in 1887 a new law was passed providing for the more careful valuation of certain classes of personal property which had hitherto escaped taxation. As the auditor was the father of this law he seeks to put a favorable interpretation on its results, but even he is forced to confess that "the relief to agricultural lands is not so great as the friends of the law had good reason to expect." The result of actual practice he describes as "gross injustice, not only to the tax payer who seeks to deal fairly with the state, but also to the small property owner, whose property as a rule is valued by a far higher standard than that of his wealthy neighbor." Of course the anticipation of the auditor that the new law will effect a permanent change is utterly visionary, and contrary to the experience of all commonwealths.

In Maryland the comptroller speaks of the falling off in the assessments because of the "failure to secure personal property." In Mississippi the auditor remarks: "I deem a radical change in the present plan of making assessments of real and personal property absolutely necessary." The assessment rolls "exhibit the most glaring inequalities, and . . . utter disregard of the present law." He ascribes it to "the utter and unpardonable inefficiency in the assessors," whereas in reality the root of the trouble is not in the assessor but in the law. In New Jersey the comptroller gives examples of two townships where the real estate was assessed at \$272,232, the personal at \$591; in another the real estate at \$2,274,900, the personal at \$47,150; and other similar ludicrous figures are stated. In New York the assessment of personal property has continually decreased, so that in 1888 it paid less than one-tenth of the property tax. Since 1871 the assessment of real estate has increased \$1,522,657,918, that of personal property has *decreased* \$105,995,871. It is the comptroller's

opinion that, "with the rapid increase in the population of the state and the wealth of the people, undoubtedly the greater amount of the increased wealth is accumulated in personal property, and it cannot be that the personal property amounts to less in value than the real, and I am sure that the actual value of the personal property of the people of the state legally liable to taxation exceeds that of real estate. This being so, the startling fact is apparent that we have within the state today over \$2,500,000,000 of personal property that is not, but ought to be, subject to taxation." It is indeed no wonder that the comptroller concludes that "the present result of taxing personal property is a travesty upon our taxing system, which aims to be equal and just."

In Tennessee the comptroller furnishes figures from which, he states, "it will appear how unequally the burdens of government have fallen upon the citizens of the state. It is unjust that so much property should escape taxation. The great burden of taxation is placed upon the lands which afford the least income, and the practical effect of the laws, as they have been executed, is to exempt from taxation the greater part of the personal property and, for the most part, of that character of property which yields the greatest income." In Texas the comptroller discusses "the glaring violations of our tax laws with which assessors and boards of equalization seem unable to cope." He concludes that "the state, as well as the counties, is deprived of a legitimate revenue," and states the result to be "a discrimination against the smaller and poorer classes of tax payers whose property is mainly tangible." In Wyoming, finally, where the auditor's report is one of the most intelligent, the auditor states, "if it were possible to employ any measures by which a just and fair cash valuation of all property could be reached, the fact seems clear and incontestable that the wealth of the territory in personal property for purposes of taxation would largely predominate over that of real estate. . . . While real estate values are rarely ever assessed at more than one-half the full

cash value, a very large proportion of intangible property escapes taxation altogether. . . . This condition of affairs is not wholly attributable to lax administration of the laws, but chiefly to the laws themselves, which are practically powerless to effect a remedy for the evils complained of." He concludes "that personal property does not bear its just proportion of revenue, that great disparity exists between the assessed values of real and personal property, and that the burdens fall heaviest upon those least able to bear them."

It is needless to continue these citations. The statistics contained in Table V above are in themselves a sufficient commentary. The testimony that the general property tax, so far as it relates to personal estate, is an utter failure is universal. It is one thing, however, to note the facts, but quite another to give an explanation or to offer a remedy. In all the discussions of the property tax in this country no attempt has yet been made to analyze the deeper reasons of its utter insufficiency for our present civilization, and but very few suggestions have been made to cure the evil. An article on statistics is not the place to make such an analysis or to offer such a remedy. I therefore pass by the matter here, especially as these phases of the subject will receive attention in another place.\*

### *The Tax Rate.*

The tax rate for commonwealth purposes is shown in Table V. It is generally given at so many mills on the dollar or at so many cents on the hundred dollars, which manifestly amounts to the same thing. In some of the commonwealths, as *e. g.* Vermont, a peculiar method of fixing the tax rate is observed, which might be apt to mislead an uninformed observer. Instead of putting the assessed valuation of property on the tax list, and then ascertaining the rate through a division of the aggregate valuation by the sum to be levied, these commonwealths put on the "grand list" only a certain

\* In the *Political Science Quarterly*, Vol. V (1890).

proportion, as *e. g.* one per cent of the assessed valuation. The nominal tax rate would therefore in such a case be just one hundred times the actual rate. This simple statement will serve to explain away the ostensibly preposterous fact that the tax rate is given in the reports as 150 per cent or 250 per cent of the property. It is the taxable proportion of the property, not the assessed valuation, that is meant. In the table I have reduced the rates in every case to so many mills on the dollar.

As is seen from Table V, the rate of taxation varies greatly in the different commonwealths. But here again no sound conclusion can be drawn from the statistics, because of the uncertainty of the valuation. A low rate in one case may mean actually greater taxation than a high rate in another case if, as may happen, the property is undervalued far more in the latter than in the former commonwealth. A tax rate of five per cent on property assessed at thirty per cent of its value is less than a tax rate of two per cent on property assessed at ninety per cent of its value. Thus the seemingly high rates of taxation in Alabama, California, Louisiana, Nevada, Oregon, South Carolina and Wyoming are in reality in great part fallacious. Still the figures are given for what they are worth. In most of the southern states there has been a gradual reduction of the rate for commonwealth purposes during the past few years. So in Alabama from  $7\frac{1}{2}$  mills in 1876 to 5 mills in 1888; in Arkansas from 5 mills in 1881 to 2 mills in 1888 *etc.* The officers of several commonwealths, moreover, present cheering prospects of a further reduction of the rate. Thus the comptroller of Georgia maintains that with the completion of the capitol the rate will be largely reduced. On the other hand, as will be seen below, several commonwealths declare that they can not further increase the tax rate, and are casting about for new sources of revenue.

A fertile source of confusion in the study of the tax rate consists in the fact that some commonwealths, like New York,

have a separate tax rate for the school tax, which is not included in the general tax rate; while other commonwealths, like Illinois, Ohio, Texas, Virginia *etc.*, have a separate tax rate for the school tax, which is nevertheless included in the general tax rate. Again, many commonwealths have no separate tax rate for schools, but pay for school expenditures out of the general tax. Finally as a fourth variation the school expenses are paid in some cases entirely from interest on a principal or other fund income, so that the tax rate is not affected at all.

Some commonwealths again, instead of defraying expenses from the proceeds of the general tax rate, allot a definite tax rate to special institutions or purposes. Thus the tax rate in Georgia is 2.6 mills for general purposes, .65 mills for the capitol, .31 mills for the sinking fund. In Nebraska the tax rate is 4.95 mills for the general fund, 1.6 for the sinking fund,  $\frac{3}{8}$  mills for schools,  $\frac{3}{8}$  mills for the university,  $\frac{3}{8}$  mills for the capitol,  $\frac{1}{8}$  mills for the reform school,  $\frac{1}{8}$  mills for the institute for feeble minded and  $\frac{3}{8}$  mills for live stock indemnity. The instances could be multiplied indefinitely.

In all cases where the general property tax exists, all property is taxed at the same rate, with one exception. In Missouri the merchandise held by merchants, and the raw material, merchandise, products and machinery of manufacturers constitute a separate class. The commonwealth, as well as all cities over 300,000 population, may levy a lower rate on these articles than on the other property of merchants and manufacturers; while all cities may impose a license on them according to their sales. A special merchants' and manufacturers' tax book is kept, and in 1888 state revenue taxes of \$80,109 were levied on these two classes, as over against \$2,971,763 levied on general property.

The great battle over the corporation tax hinges upon the question of the tax rate. If the corporation tax is a property tax the rate, according to the constitution of several states, must be uniform with that imposed on other property.

If the tax be a franchise tax, there is no such obligation. We do not enter on the question here.

#### D. TAXATION OF CORPORATIONS.

Owing to the failure to assess personal property, there has been an increasing tendency in the commonwealths to reach a certain class of personal property through a direct taxation of corporations — especially those engaged in transportation. An adequate discussion of the corporation tax would include an exhaustive statement of the law, the interpretation put upon it by the courts, and an analysis of the present condition from an economic standpoint, with proposals for reform. This however I shall attempt to do in another place,\* confining myself in the present article to the statistics with the barest possible mention of the law.

The older custom, still prevalent in most of the commonwealths, is to tax the property of the corporation, and then generally to exempt the shares in the hands of individuals. The corporation property would then be assessed by the regular county assessors, and included in the tax list of the county. This would not differ at all from the ordinary taxation of property. There has been a movement away from this original position in three directions.

(a) The property of transportation companies, especially railroads, has been assessed separately by a special board and according to certain fixed rules.

(b) Certain classes of corporations beginning with insurance companies and banks, but gradually including transportation companies and in a few cases other corporations, have been taxed, not on their property but on what has been supposed to represent roughly their income-bearing capacity.

(c) All corporations in general have been taxed by a uniform rule according to principles more or less different in each commonwealth.

\* In *Political Science Quarterly*, Vol. V.



These three tendencies will be discussed in their order. Each class of corporations will be taken up under the following seven heads, while the eighth head will be reserved for a discussion of the general corporation tax in so far as the purposes of this article require it.

### *1. Taxation of Railroads.*

Owing to their immense wealth and income, railroad corporations were among the first to break away from the regular county assessment for the general property tax. This is not the place for a history of the movement, but it may be of interest to give a summary of the existing law, in order to correctly comprehend the statistics of the railroad tax receipts. This is all the more necessary as such a summary no where exists at present, the last compilation having been made in 1879 when the conditions were far different.

In thirty-one commonwealths the railroads are still taxed on their property according to the general property tax rate. In twenty of these we notice the movement spoken of above, *i. e.* the property is assessed separately by a special board known as the board of railroad assessors, or by the board of equalization, or by specially designated officials. These twenty cases are :

Alabama, . . . . .	Board of assessment for railroads.
Arkansas, . . . . .	Board of railroad commissioners.
California, . . . . .	Board of equalization.
Florida, . . . . .	Comptroller, attorney-general and treasurer.
Georgia, . . . . .	Special commissioners.
Idaho, . . . . .	Board of equalization.
Indiana, . . . . .	Board of equalization.
Iowa, . . . . .	Board of equalization.
Kansas, . . . . .	State board of railroad assessors.
Kentucky, . . . . .	Railroad commission.
Missouri, . . . . .	Board of equalization.
Nebraska, . . . . .	Board of equalization.
New Hampshire, . . . . .	Board of equalization.
North Carolina, . . . . .	Board of appraisers and assessors.
Ohio, . . . . .	Board of appraisers of railroad companies.

South Carolina, . . . . .	Board of equalization.
Virginia, . . . . .	Board of public works.
West Virginia, . . . . .	Board of public works.
Wyoming, . . . . .	Board of equalization.

In the other eleven cases, *viz.* Arizona, Colorado, Louisiana, Montana, Nevada, New Mexico, Oregon, Rhode Island, Tennessee, Texas and Utah the regular local assessors (in Louisiana the parish police juries) include the railroad property in the county assessment. In California and Missouri the boards of equalization assess only a portion of the property, like road bed, rolling stock *etc.* The remaining property is assessed by the local assessors. Thus in only fifteen cases is there a taxation of railroads not based on the general property tax, *viz.* Connecticut, Dakota, Delaware, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, New Jersey, New York, Pennsylvania, Vermont, Washington and Wisconsin. In four of the thirty-one cases, however, *viz.* Alabama, North Carolina, Texas and Virginia, we find besides the property tax as a main tax an additional tax (or taxes) on railroads, not based on property. Thus in Alabama we find a license (commissioner) tax on gross earnings; in North Carolina a franchise tax as well as a privilege tax on gross earnings; in Texas a tax on gross passenger earnings; in Virginia a commission tax on gross earnings and a tax on net income. Finally, Illinois, which taxes all other railroads on their property, levies a special tax of 7 per cent on the gross earnings of the Illinois Central railroad, according to the law of 1851.

In some of the thirty-one cases mentioned above, notably in Georgia, Illinois and North Carolina, there are special methods of assessing railroad property which are of great interest for an economic analysis, but which do not properly belong in an article on statistics. They will therefore be passed over in this essay.

Of the fifteen commonwealths which do not tax railroads on their property, eight, *viz.* Dakota, Maine, Maryland, Michigan, Minnesota, Vermont, Washington and Wisconsin

tax them only on their gross earnings; three, *viz.* Massachusetts, New York and Pennsylvania include them in the general corporation tax; but New York and Pennsylvania levy an additional general tax on gross earnings, while Massachusetts also levies a commissioner tax on gross earnings, and substitutes in the case of corporations to build railroads in foreign countries a tax on capital stock; two commonwealths, Connecticut and New Jersey, tax them according to somewhat complicated methods, different in each case, supposed to represent the value of the property and the franchise; Mississippi taxes them at a fixed sum per mile according to the reputed wealth or earning capacity of each road; and Delaware levies four separate taxes, *viz.* on capital stock, net earnings, locomotives and passengers. Several of the commonwealths which impose the gross earnings tax grade the tax. These are as follows:

MAINE. (Excise tax.) If gross receipts per mile are \$2250 or less, the tax is  $\frac{1}{2}$  of 1 per cent.

If gross receipts per mile are \$2250-3000, the tax is  $\frac{1}{2}$  of 1 per cent.

And so on for every \$750 receipts until the tax is  $3\frac{1}{2}$  per cent.

MICHIGAN. (Specific tax.) If gross receipts are \$4000 or less, the tax is 2 per cent.

If gross receipts exceed \$4000, the tax is 3 per cent.

MINNESOTA. For the first three years the tax is 1 per cent.

For the next seven years the tax is 2 per cent.

Thereafter the tax is 3 per cent.

VERMONT. On the first \$2000 a mile the tax is 2 per cent.

On the first \$1000 above \$2000 the tax is 3 per cent.

On the first \$1000 above \$3000 the tax is 4 per cent.

On all earnings above \$4000 the tax is 5 per cent.

WISCONSIN. (License fees.) If gross earnings are less than \$1500, the tax is \$5 per mile.

If gross earnings are \$1500-\$3000, the tax is \$5 per mile, and in addition 2 per cent on earnings in excess of \$1500.

If gross receipts are \$3000 or more, the tax is 4 per cent.

On all railroads upon pile or pontoon bridges the tax is 2 per cent.

In four of these fifteen cases, *viz.* Connecticut, Dakota, Minnesota and Washington, the special railroad tax is in lieu of all other taxation, including local taxation. (In

Dakota this is true only since May, 1889; up to that time there was also a local property tax.) In six of the remaining cases, *viz.* Delaware, Maine,\* Maryland, Massachusetts, Mississippi and New York, the localities may also tax railroad property. But in Mississippi only cities and towns have this privilege. In New York only the real estate of corporations is taxable for state purposes (in addition to the general corporation and railroad taxes), but both real and personal estate is taxable locally. In the five remaining cases, *viz.* Michigan, New Jersey, Pennsylvania,† Vermont and Wisconsin, the railroads are subject to a local tax only on their property not used for railroad purposes. In Wisconsin however the general railroad property may also be assessed in cities and villages for local improvements only. Massachusetts has the distinguishing provision that the valuation for the local tax on railroads is deducted from the total valuation for commonwealth purposes, so that the railroads practically pay only once.

Both in this case and in the following discussion of the receipts from other corporations the question of taxation of receipts from inter-state commerce is purposely omitted, as it will be treated at length on another occasion.

Coming now to the question of statistics it may be said that the statistics of receipts from the railroad tax as given in Table III are misleading unless due care be taken to observe the following points. In those cases where no receipts are found, they are included in the receipts of general taxes (because the tax is here on the property of railroads), or in those of the general corporation tax. The former is true of sixteen cases, *viz.* Arkansas, Arizona, Colorado, Florida, Idaho, Indiana, Kansas, Louisiana, Montana, Nebraska, Nevada, New Mexico, Ohio, Oregon, Rhode Island,

\* In Maine the buildings of a railroad corporation, whether within or not the located right of way, and its lands and fixtures outside, are subject to taxation by the localities where situated.

† In Pennsylvania it has been held that land necessary to the franchise of a railroad is a part of such franchise and not real estate subject to local taxation. Depots, freight houses, tracks *etc.* are hence not locally taxable. 75 Pa. 401.

Utah and Wyoming. In most of these cases, however, as well as in the cases given below the amount derived from railroads can be ascertained by multiplying the valuation of the railroad property given in Table V by the general rate of taxation. In seven other cases the figures given do not represent the total taxation of railroads, but only the proceeds of a special tax in addition to the general property or general corporation tax. Thus in Alabama, Iowa, Massachusetts, New York and South Carolina the figures represent only the special tax called in Alabama license tax, in Iowa commissioner tax, in Massachusetts railroad commissioners' tax, in New York salary of commissioners' tax, in South Carolina special railroad assessments; in Pennsylvania they represent the commutation of tonnage tax; in Texas the special tax on passenger earnings. Thus in only about one-half of the commonwealths do the statistics represent the actual net receipts from railroads, and in several of these cases again the figures do not represent the total amount of taxes paid by the railroads, because, as has been shown above, a local tax as well as a state tax is imposed.

Further information as to the receipts from railroad taxation may be derived by recollecting the points discussed on pages 388-389. The statistics for New Jersey however are so complicated as to deserve a separate mention. The railroads are assessed on certain elements and at a certain rate for the so-called "*state tax*" which amounted to \$980,263; they are assessed on other elements and at another rate for the "*tax on taxing districts*," which amounted to \$306,242, and which was distributed to the districts; finally the railroads pay a local tax on property not used in railway operations assessed at the local rate by the local assessor. There are thus three separate taxes on railroads, although the statistics give only the one tax. We cannot here enter on the important questions connected with assessment of railroads in New Jersey.

## 2. *Taxation of Insurance Companies.*

Perhaps the oldest tax on corporations is the tax on *insurance companies*, including life, fire and marine insurance companies. In some cases the tax is known as insurance licenses, as in Alabama and Idaho. In other cases what are called insurance fees are in reality insurance taxes. In Table III insurance fees have been included with the insurance taxes. In Michigan the taxable insurance companies include also the guarantee, plate glass and boiler inspection insurance companies. The tax is usually levied on the gross receipts, or gross premiums, and is found in almost every commonwealth. In the few cases where it does not appear in the table of receipts, it is generally included in the proceeds of the license taxes. In a few cases, as in Maryland, only foreign insurance companies are taxed. In some instances, as in Illinois and Indiana, the tax is one on net receipts; and in Alabama although nominally on gross it is actually on net receipts. In Illinois the net receipts of insurance companies are entered as personal property and included in the general property tax. Such companies are then free of all local taxes, except for the benefit of fire departments in cities, which may impose a tax not exceeding 2 per cent of the gross receipts. The statistics of the five commonwealths where the receipts are especially large deserve a word to themselves on account of some peculiarities of taxation.

In Connecticut the mutual fire insurance companies paid \$9,362 as a  $\frac{1}{4}$  of 1 per cent tax on their assets, and the mutual life insurance companies paid \$222,414 as a  $\frac{3}{4}$  of 1 per cent tax on their assets. In both cases certain deductions were made, as for losses, taxable real estate *etc.* Insurance companies of other commonwealths doing business in Connecticut paid through their agents \$23,952 and on their premiums \$1,403 as the so-called "*reciprocal tax*," a tax equal to that imposed by such other commonwealths on a Connecticut company. In Massachusetts in addition to the general tax on corporate

franchise, the life insurance companies paid \$14,740 as a "*life insurance companies' tax*" of 5 mills on each \$1,000 insured, and also paid \$106,877 as an "*excise tax*" of  $\frac{1}{4}$  of 1 per cent of the aggregate value of all policies in force; the other insurance companies paid as an "*annual insurance companies' tax*" \$201,914 excise tax of 1 per cent on all premiums, and 1 per cent on all assessments (if incorporated in other commonwealths however they pay on premiums 2 per cent or such higher rate as is imposed by the other commonwealth on Massachusetts corporations, or if foreign companies they pay 4 per cent on premiums, or 2 per cent where there is a guarantee fund of \$200,000); the Massachusetts Hospital Life Insurance Company paid a tax of \$48,667 on its funds excluding deposits invested in mortgages; the "*insurance licenses*" of \$2 per certificate *etc.* amounted to \$27,339; and policy holders of foreign fire insurance companies not authorized to transact business in the commonwealth paid \$2,297 as a "*special license insurance tax*" of \$20 for each policy. In New Jersey the life insurance companies incorporated in New Jersey paid an "*annual franchise tax*" of 1 per cent on surplus and 4 per cent interest; those not incorporated in the commonwealth paid 2 per cent on premiums from residents of New Jersey, deducting dividends and claims; other insurance companies paid 1 per cent on gross premiums. The receipts are included with the general corporation tax. In New York where the life, fire and marine insurance companies are exempted from the general rate of the corporation tax, fire and marine insurance companies paid \$91,384 as  $\frac{1}{2}$  of 1 per cent tax on premiums on business done in the commonwealth, while a few insurance companies included in the general law paid \$2,583 on their premiums and capital. Foreign insurance companies paid 2 per cent on gross premiums, with especial provisions as to the taxation of fire insurance companies in cities. In cases however where another commonwealth imposes a higher tax on insurance companies, then the foreign company incorporated in that

other commonwealth pays a "*reciprocal tax*" of the same amount. The receipts from all these sources figure under the general corporation tax. Life insurance companies, it is seen, are exempt. In Pennsylvania in addition to the general corporation tax the insurance companies (except mutual companies) paid \$42,943 as a "*tax on gross premiums*" of  $\frac{8}{10}$  of 1 per cent; while the foreign insurance companies, not being subject to the general corporation tax, paid \$428,816 as a tax of 3 per cent on premiums received within the state. We do not enter here upon the question whether gross or net premiums are the proper basis for the tax.

### 3. *Taxation of Telegraph and Telephone Companies.*

The taxation of telegraph companies has undergone an evolution similar to, although not quite so extensive as, that of railroads. In the majority of commonwealths telegraph property is included by the local assessor in the general tax list and pays the regular rate of the general property tax. In a few commonwealths telegraph property is separately assessed by special officers, but still pays the general rate. In a few cases again telegraph companies pay on the value of their property, but at a special fixed rate, which remains the same from year to year. Thus in Maine  $2\frac{1}{2}$  per cent of value of lines; in New Hampshire 1 per cent on value of property.

In fifteen commonwealths however telegraph companies pay a special tax based not on property, but on other elements. The system of taxing gross receipts prevails in nine cases, *viz.* Alabama (2 per cent), Connecticut (2 per cent), Georgia ( $2\frac{1}{2}$  per cent), Minnesota (2 per cent), New Jersey (2 per cent), New York ( $\frac{1}{2}$  of 1 per cent, in addition to general corporation tax), North Carolina (2 per cent), Pennsylvania ( $\frac{8}{10}$  of 1 per cent, in addition to general corporation tax), and Vermont (3 per cent). In Dakota there is a so-called license fee of sixty cents per mile for the first wire, thirty cents for the second, thirty cents for the third, and



twenty cents for each additional wire; in Kentucky a tax of \$1 per mile for the first line, and fifty cents for each additional line; in Mississippi a privilege tax; in Tennessee a tax of from \$10 to \$100 according to the population; in Virginia a property tax, a 1 per cent gross earnings tax, and a license tax; in Wisconsin a license tax of \$1 per mile for the first wire, fifty cents for the second, twenty-five cents for the third, and twenty-five cents for each additional wire. In Alabama the taxation of express, telegraph and sleeping car companies has just been changed (1889) to a privilege tax of \$500 plus one dollar per mile of line. The receipts in general are insignificant.

We also find a special tax on *telephone* companies in the same commonwealths. In ten cases, *viz.* Alabama, Connecticut, Maine, Minnesota, Mississippi, New York, Pennsylvania, Vermont, Virginia, the tax is the same as that on telegraph companies. In the three remaining cases the tax is slightly different; so in Georgia a tax of \$1 for each telephone station or box; in Kentucky a gross receipts tax of  $\frac{1}{4}$  of 1 per cent; in Wisconsin a "license fee" of 1 per cent on gross receipts. In Massachusetts the general corporation tax on telephone companies reaches the high figure of \$169,229.

#### *4. Taxation of Express Companies.*

What has been said of telegraph companies applies almost equally well to express companies. A few commonwealths tax them on gross receipts. Thus Alabama (2 per cent), Connecticut (2 per cent), Maine ( $\frac{3}{4}$  of 1 per cent), New Hampshire (2 per cent), New Jersey (2 per cent), New York ( $\frac{1}{2}$  of 1 per cent in addition to general corporation tax), Pennsylvania ( $\frac{1}{10}$  of 1 per cent in addition to general corporation tax), North Carolina (2 per cent), Vermont (3 per cent). We find however in Kentucky a license tax of \$500 to \$1,000 in addition to local property tax; and in New Hampshire the companies may pay in lieu of the "license" of 2 per cent on gross receipts a tax of \$5 per mile. The

question whether express companies which are not corporations are liable to taxation in New York and other commonwealths is pending before the courts. In some cases they are expressly included. The receipts, as can be seen from Table III, are small.

### 5. *Taxation of Sleeping Car Companies.*

The special tax on sleeping car companies is found figuring in the finance reports of seven commonwealths, based sometimes on gross receipts, sometimes on other elements. Thus we find in Alabama a 2 per cent gross receipts tax, in Arkansas a so-called railroad highway tax (paid by only one sleeping car company); in Georgia a tax on non-resident companies proportioned to the number of cars and miles run; in Iowa a tax on sleeping and dining cars not owned by the railroad, proportioned to the number of cars and miles; in New Jersey a 2 per cent gross receipts tax on palace, parlor and sleeping cars; in New York  $\frac{1}{2}$  of 1 per cent, and in Pennsylvania  $\frac{1}{8}$  of 1 per cent gross receipts tax on palace and sleeping car companies in addition to the general corporation tax. In some commonwealths as in Missouri the railroad companies pay the tax, but may recoup from the sleeping car companies.

### 6. *Taxation of Banks.*

The tax on banks has long been a bone of contention in commonwealth finance, and it is not proposed to enter into the discussion here, especially as it belongs in the domain of the general property tax. Suffice it to say that in most commonwealths where the shares are exempt in the hands of individuals, as is generally the case, the banks are taxed on their capital, either at the ordinary rate of the property tax, or at a special rate. The latter is true in Dakota ( $\frac{1}{4}$  of 1 per cent), and in Kentucky ( $\frac{3}{4}$  of 1 per cent in addition to a tax on the surplus. The only cases in which there is a special tax on banks in lieu of the property tax or taxation of bank capital

are as follows: in Connecticut the savings banks paid a tax of \$223,986, as  $\frac{1}{4}$  of 1 per cent of their deposits, exclusive of surplus and deducting \$50,000 and the amount invested in real estate or non-taxable bonds. In Georgia the banks pay only on their surplus and undivided profits because the stockholders are assessed on their shares. In Maine savings banks pay a tax of  $\frac{3}{4}$  of 1 per cent; in Massachusetts  $\frac{1}{2}$  of 1 per cent; in Rhode Island 1 per cent, and in Vermont  $\frac{1}{2}$  of 1 per cent, on their deposits. In Maryland there is also a tax on the deposits of savings banks. In New York the law requires foreign banks to pay  $\frac{1}{2}$  of 1 per cent on average deposits or moneys used in their business, but the law is substantially a dead letter. In North Carolina the banks pay not only a tax on bank stock but a special tax on their capital and \$25 additional for each county where an agency exists. In Pennsylvania banks, if unincorporated, pay 3 per cent on net earnings or income, and if incorporated a tax of 3 mills on the dollar of capital stock. But incorporated banks may elect to pay a tax of  $\frac{6}{10}$  of 1 per cent of the par value of their stock in lieu of all other taxation.

The statistics of receipts from banks in Table III, when not explained in the notes or when not belonging to the commonwealths just mentioned, simply represent the tax on capital stock. In most cases of course this will be included in the general property tax. In Connecticut we find in addition to the savings bank tax a "non-resident stock" tax of \$75,858 as 1 per cent of the value of the shares of insurance, trust and banking companies, held by non-residents. The statistics of Massachusetts, finally, are so misleading as to require separate mention. In Massachusetts the banks pay a tax on the shares of stock deducting from the value of each share a proportionate part of the value of the real estate owned by bank and locally taxed. Of the total tax of \$1,663,425 the towns retained as their part for the shares of residents \$573,393, leaving \$1,060,032 paid into the commonwealth treasury. The law however provides that the treasurer

should pay to cities and towns where the bank is not located the amount which would be taxable there because of the residence of the owner of the bank shares; and it further provides that the treasurer should credit to the savings banks and insurance companies already taxed the amount paid for them on bank shares. These deductions amounted to \$608,349, leaving only \$451,682 as the net bank tax for commonwealth purposes. Allowance must be made for this in the table of receipts.

### 7. *Miscellaneous Taxes on Corporations.*

In addition to the taxes already mentioned, a few commonwealths levy taxes on miscellaneous corporations. Thus we find in Alabama a tax of 1 per cent on gross receipts of cotton pickeries and seed oil mills; and a tax of 1 per cent on the gross income of gas works, water works, electric light companies, ferries, toll bridges, public mills and gins, and cotton compresses,—all of these with insignificant receipts and included in the general property tax. In Connecticut we find a tax of 2 per cent on gross receipts of rolling stock companies. In Kentucky we find a tax on the stock of turnpike companies assessed at the rate of 7 per cent upon net dividends; also a tax on gas companies and street railroads, as well as a so called “tax on city corporations” which is in reality simply a tax on coffee house licenses in Frankfort. In Louisiana there is a tax on the gross receipts of street railroads. In Maine there is a tax on the gross receipts of horse railroads, the tax being  $\frac{1}{10}$  of 1 per cent when receipts are less than \$1,000, and  $\frac{1}{10}$  of 1 per cent added for each \$1,000 per mile. In Massachusetts we find a tax of  $\frac{3}{20}$  of 1 per cent on the capital stock, or if incorporated in the commonwealth a tax of 4 per cent on the net profits, of mining companies (for the purpose of coal mining or extracting carbonaceous oils); a tax of  $\frac{1}{20}$  of 1 per cent on the capital stock of incorporations formed to construct railroads in foreign countries; a “gas commissioners’ tax” on the gross

earnings of gas light companies to defray the expenses of the gas commissioners; a "gas light companies' tax" on the appraised valuation of their property to defray the expenses of the gas meter inspectors; and a tax of  $\frac{1}{4}$  of 1 per cent on the monthly dues (excluding fines and premiums) paid by shareholders of coöperative saving fund and loan associations. In Michigan there is a special tax on the property of mining companies when not actually engaged in mining; if actually engaged in mining, the tax is levied only on the excess over 640 acres. In New Jersey there is a tax of  $\frac{1}{10}$  of 1 per cent on the gross receipts of oil or pipe line companies, and a tax on gas and electric light companies of  $\frac{1}{2}$  of 1 per cent on gross receipts and 5 per cent on the dividends in excess of 4 per cent. In New York there is the "pool tax" on racing associations of 5 per cent of gross receipts for admission. In Pennsylvania there is a virtual tax of  $\frac{1}{10}$  of 1 per cent on the capital stock of savings institutions, safe deposit, guarantee, surety and real estate title insurance, or trust companies. In Vermont we find a tax of 1 per cent on the deposits of trust companies. Finally in some of the southern commonwealths specified corporations pay what are called license fees or privileges in proportion to their gross receipts.

This list includes all the corporation taxes found in the financial reports, and not given under the preceding headings. The amount of the proceeds may be found in each case (unless otherwise specified above) in Table III.

### 8. *General Corporation Tax.*

The third tendency spoken of on page 417 is seen exemplified in the recent introduction of the general tax on all corporations. The general corporation tax is found, strictly speaking, only in Massachusetts, New Jersey, New York and Pennsylvania, although in three other cases there is what may be called in one sense a general tax on corporations. These three other cases are Alabama, Illinois and Maryland and will

be discussed below. Taking up the general corporation tax proper we find the following facts:—

In Massachusetts the corporation tax is a tax on the corporate franchise of all corporations except banks and coal and mining companies (which are separately provided for). The tax is a percentage on a fixed valuation of each corporation, both valuation and percentage being ascertained in a complicated manner which it is not my province to discuss in this place. Suffice it to say that in 1888 the rate was \$14.68 per \$1,000, that the total valuation of the “general list” corporations was \$391,594,351, and that the corrected valuation was \$191,684,604. The tax actually received by the treasurer was \$2,933,513; but of this \$2,241,377 was distributed to the cities and towns as their legal proportion, leaving \$692,136 as the actual net revenue to the commonwealth. The figures in Table III must be used with this limitation. In order to form a fair basis of comparison with other commonwealths, I append the receipts from the chief classes of corporations:

Railroads, . . . . .	\$1,257,119
Street railroads, . . . . .	152,712
Telephone companies, . . . . .	169,229
Gas light companies, . . . . .	51,545
Aqueduct companies, . . . . .	22,549
Brass and iron factories, . . . . .	260,085
Cotton and wool factories, . . . . .	182,528

All these corporations paid in addition a local tax on the value of their real estate and machinery.

In New Jersey the tax on “miscellaneous corporations” is described as a “license for the corporate franchise,” and applies to all corporations except railways, canals (both of which are taxed separately), banks, religious, charitable, or educational associations, and manufacturing or mining companies carrying on business in New Jersey. Certain classes of corporations, all of which have been stated above under the appropriate heading, are taxed in a special manner. These, it will be remembered, are telegraph, telephone, cable, ex-

press, gas, electric light, insurance, oil and pipe line companies. All other corporations pay a yearly license fee or tax of  $\frac{1}{10}$  of 1 per cent on their capital stock. As the reports do not classify these "miscellaneous corporations," it is impracticable to give the detailed figures as in the case of Massachusetts. It is to be borne in mind that the tax on railroad companies is not included in the tax "on miscellaneous corporations."

In New York the corporation tax is declared to be a tax on the corporate franchise of all corporations, joint stock companies or associations except savings banks, life insurance companies, fire and marine insurance companies (which are separately taxed), banks, foreign insurance and banking companies (which are separately taxed), manufacturing and mining corporations. But gas and trust companies are not included in this exception. The tax is  $\frac{1}{4}$  mill upon each dollar of the capital stock for each 1 per cent of dividends, if the dividends amount to 6 per cent or over. If they are less than 6 per cent, the rate is  $1\frac{1}{2}$  mills on each dollar of the capital stock. Corporations subject to this tax are exempt from all further state taxation except on their real estate. But they are liable to local taxation on their whole property, real and personal. The statistics given in Table III include also the additional taxes on the earnings of insurance, transportation, telegraph and telephone companies which have been described above. I append the detailed receipts:—

	<i>Earnings.</i>	<i>Capital.</i>	<i>Total.</i>
Insurance companies, .	\$91,385 (premiums)	\$2,583	\$93,968
Transportation "	337,724	270,068	608,352
Telegraph and Telephone companies, . . . .	18,053	23,523	41,575
Foreign banks, . . . .		35,010 (deposits)	35,010
Gas, mining and miscellaneous companies, . .		214,771	214,771
			<hr/> \$993,678

In Pennsylvania the "tax on corporation stock" applies to all corporations except foreign insurance companies, banks

and savings institutions, and manufacturing corporations, and applies also to all limited partnerships except those organized for manufacturing or mercantile purposes. The tax is based on the same principle as in New York but the rate is just double *i. e.*  $\frac{1}{2}$  mill for each 1 per cent of dividend if dividends amounted to 6 per cent, and 3 mills when the dividend is less than 6 per cent. Curiously enough, however, the state courts have held this to be a property, not a franchise, tax. In addition to this tax on corporation stock, there is a tax of 3 per cent on net earnings of private bankers and brokers, unincorporated banks, express, palace car and sleeping car companies and all corporations except those liable to the previous tax or to the tax on gross receipts. Those exempt from the net earnings tax because liable to the gross receipts or gross premiums tax are transportation, telegraph and insurance companies, which have been previously mentioned in their appropriate place; those that would be liable to the net earnings tax because exempt from the tax on corporation stock are, as stated above, foreign insurance companies, banks and savings institutions and manufacturing corporations. But since 1885 manufacturing corporations except gas and liquor companies are exempt from all taxation; banks, banking or saving institutions or companies, safe deposit, guarantee, real estate title insurance or trust companies may compound for the 3 mill tax on the owners of their shares by paying 6 mills on the par value of their capital stock, all of which shares, capital and profits, not invested in real-estate are then exempt from all other taxation. Thus the net earnings tax applies only to private bankers and brokers, and unincorporated banks. Finally the "tax on loans" provides for a tax of 3 mills on the dollar of all mortgages, debts, shares of stock in banks, trust companies *etc.* and all public loans (except those of Pennsylvania and the United States). But the state courts have just held the loan tax as applied to corporations to be unconstitu-



tional. It remains to be seen what tax the commonwealth will substitute therefor. I append the detailed receipts:—

(1).	Tax on corporation stock, . . . . .	\$1,814,849
(2).	“ “ gross receipts (corporations), . . . . .	583,556
(3).	“ “ gross premiums, . . . . .	42,943
(4).	“ “ foreign insurance companies, . . . . .	423,816
(5).	“ “ stock of banks, trust companies <i>etc.</i> . . . . .	456,103
(6).	“ “ net earnings, . . . . .	88,009
(7).	“ “ loans (private corporations), . . . . .	33,406
(8).	“ “ loans (county and municipal), . . . . .	150,262

In Table III I have included only (1) and (2) and (7) under the heading corporation tax because (3) and (4) are given under the insurance tax and (5) under the bank tax. (6) is not derived from incorporated companies as explained above, while (8) does not apply to private corporations. In any comparison of statistics these facts must be borne in mind.

For the purposes of this essay we pass by the host of interesting questions and complications that have arisen in connection with these taxes in each of the four commonwealths. They will be discussed elsewhere.

The three other cases in which Table III includes figures under the heading “corporation tax” are Alabama, Illinois and Maryland. In Alabama there is a tax at the rate for the property tax on the capital stock of all corporations, companies, or associations, except such stock as is invested in property already taxed. Corporations also pay a tax on dividends declared or earned and not divided, which are classed as personal property. The proceeds of both taxes were insignificant, the tax on capital stock yielding \$17,459, that on dividends only \$279. In Illinois all corporations except railroads and manufacturing, newspaper and stock breeding companies pay a tax on the excess of their capital stock and debt over and above the value of their tangible property. In 1888 the valuation of this taxable excess was \$5,089,231. The proceeds of the capital stock tax are in-

cluded in the general property tax. In Maryland the "tax on incorporated institutions" is levied on the capital stock, or if there be none then on the property and assets, of all corporations except steam railroads (which pay a special gross receipts tax), and on the deposits of saving institutions. Deductions are made from the value of the capital stock or deposits for the assessed value of real property (separately taxed), for the tax-paying investments of part of the capital, for the amount of non-taxable securities held, and in case of building associations for mortgages on taxable property. This explains the discrepancy between the figures in the comptroller's and in the tax commissioner's report. The latter includes in the "aggregate state tax on corporations" the real estate tax, which is omitted by the former in the "tax on incorporated institutions."

The tax as given by the tax commissioner for 1887 (the report for 1888 being delayed) was as follows:—

Banks in Baltimore, . . . . .	\$27,456
County banks, . . . . .	6,227
Insurance companies, . . . . .	3,478
Miscellaneous corporations, . . . . .	29,964
Savings institutions, . . . . .	15,146

The receipts were somewhat less than the assessment, because of reduction on appeal.

We must not confound with the corporation taxes the *tax on corporation charters*, which is in reality a license fee, in most cases fixed and equal for all, but in a few cases proportioned to the amount of capital stock. It is paid for the privilege of incorporation, or of increasing the capital stock. This tax as appears in Table III is found in nine commonwealths, *viz.* Connecticut, Maine, Missouri, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island and West Virginia. In Connecticut it is called the "tax on corporate franchise" (although having nothing in common with the corporate franchise tax in the other commonwealths), and is paid on the increase of capital; in Maine it is called

the "tax on new corporations"; in Missouri it is called the "corporation tax," or "tax on corporations incorporating"; in New Hampshire "charter fees"; in New Jersey a "tax from certificates of incorporation"; in New York "organization of corporation tax," although also payable on the increase of the capital stock; in Pennsylvania and Rhode Island "bonus on charters"; in West Virginia "license tax on charters and certificates of incorporation."

### E. LICENSE TAXES.

Licenses or license fees *i. e.* payments for the privilege of conducting certain occupations are found in some degree in most of the commonwealths. They are known also by the name of license taxes, privileges or privilege taxes. Here again we find a lamentable lack of uniformity in the statistics, especially noticeable in the confusion between fees and licenses. Some commonwealths separate fees, licenses and taxes; some include under the head licenses what others call fees; some tabulate as licenses, privileges or fees what others call taxes. The result is confusion. In Table III an attempt has been made to remedy this confusion, but no attempt can be perfectly successful until all the financial officers will learn, as some already do, to classify the receipts from separate sources according to a consistent rule. For purposes of comparison I have, whenever practicable, included insurance fees or licenses with insurance taxes, and have confined the license taxes to licenses properly so called. In the northern and western commonwealths the licenses are chiefly on liquors, peddlers and auctioneers. In the southern commonwealths the licenses are far more numerous including many schedules and in some cases taking in all occupations. In fifteen cases there are no licenses at all for commonwealth purposes, *viz.* Arizona, Connecticut, Dakota, Illinois, Indiana, Kansas, Minnesota, Montana, Nebraska, Nevada, New Jersey, Oregon, Utah, Washington and Wyoming. In the following fourteen

cases we find only these licenses: California, fishing; Colorado, detectives; Iowa, Michigan and New York, pedlers; Maine, pedlers and detectives; Massachusetts, pedlers and liquors; Missouri, dramshop; New Hampshire, pedlers, fertilizers, lightning-rod agents and billiards; Rhode Island and Wisconsin, pedlers and auctioneers; New Mexico, insurance agents; Ohio, pedlers and shows; Vermont, circuses. In Pennsylvania we find, in addition to liquor and tavern licenses, billiard, brokers, auctioneers, pedlers and show licenses. All the remaining sixteen cases are, with the exception of Idaho, southern commonwealths where a multiplicity of licenses exist, forming a large, and in some instances the chief, source of commonwealth revenue. In Alabama the licenses are arranged in 44 schedules, in Mississippi 59, in Texas 50, in Tennessee 88 schedules or occupations.

In Delaware we find a license fee on all manufacturers or producers, \$1,000 being exempt. In Georgia the licenses are called "special" or "specific taxes." In Kentucky they are known as "clerks'" taxes, but include the tax on law processes and on cards. In Louisiana the licenses are assessed on the basis of gross receipts, or in some cases, as *e.g.* merchants, on the basis of gross sales, and are levied on all persons and occupations except those constitutionally exempted (laborers, clerks, teachers, clergymen and most manufacturers). In North Carolina all merchants not especially otherwise taxed pay in addition to the *ad valorem* tax on their stock a license tax of  $\frac{1}{10}$  of 1 per cent on the amount of their purchases. Other occupations pay partly on sales, partly on purchases. The licenses include the taxes on seals and scrolls. In Tennessee all merchants pay in addition to the *ad valorem* tax on their capital a privilege tax of 40 cents on every \$100 of their taxable property. The licenses are here known as the "county court clerks' tax." In Texas the licenses are called "occupation taxes" collected in the counties, not to be confounded with "special occupation taxes" which are the taxes on drummers, insurance and transportation companies.

In West Virginia the licenses include the taxes on "state seals."

The chief change to be noted during the past year is in connection with the tax on drummers or commercial travellers. The drummer tax has recently been declared unconstitutional by the United States courts as violating the provisions respecting inter-state commerce (120 U. S. 489). When it is remembered that in the previous year the receipts from the drummers' tax were in many cases enormous—in Mississippi \$35,000, in North Carolina \$83,000, *etc.*—it will be realized that these decisions have seriously curtailed the receipts from licenses, and in one or two cases thrown the commonwealth budget out of equilibrium. The comptroller of Texas calls especial attention to the fact that the law is still constitutional as to home drummers, thus constituting an unjust discrimination against Texan industry.

The financial officers of the southern commonwealths content themselves with stating the facts, but do not seem to oppose the whole system of licenses. The auditor of Mississippi forms a shining exception, for he maintains that a particular license tax (on vendors of bed springs) practically amounted to an embargo on the business, and deprived many a tradesman of an honest means of livelihood. He is of the opinion that many features of the privilege law can be improved upon,—a statement which is sadly true of all the southern commonwealths. The difficulty is further augmented by the fact that in most cases the counties and towns have the right of imposing additional licenses on certain occupations.

Several commonwealths derive a large revenue from *liquor licenses*, also known as dramshop licenses, liquor tax, excise tax, privilege tax on tipplers *etc.* The license is generally one on vendors of liquors, although a few commonwealths like Delaware and Kentucky tax also the manufacturers or distillers. In Delaware there is on this account a great complaint as to the ineffectiveness of the law, and as to a con-

test with the federal revenue officers. The commonwealth licenses are frequently only a small portion of the whole licenses imposed. In Missouri *e. g.* the dramshop licenses for state purposes were \$155,383, for county purposes \$1,492,063, and for city and town purposes \$194,596. In Ohio, where 9,487 saloons paid \$1,133,174 liquor tax, only \$225,276 went to the commonwealth. In eight cases the greater part and in one case (Missouri) the total amount of the revenue from licenses is derived from liquor licenses. The following table will show the proportion of liquor licenses in all cases where the total licenses amount to more than \$4,000 annually. The others are omitted as too insignificant. This is of course not the place to discuss the question of high license.

PROPORTION OF LIQUOR LICENSES TO TOTAL LICENSES.

	<i>Liquor Licenses.</i>	<i>Total Licenses.</i>
Alabama, . . . . .	\$96,964 . . . . .	\$125,783
Arkansas, . . . . .	49,697 . . . . .	51,910
Delaware, . . . . .	..... <sup>4</sup> . . . . .	81,441
Florida, . . . . .	..... <sup>4</sup> . . . . .	74,450
Georgia, . . . . .	65,981 . . . . .	96,405
Kentucky, . . . . .	263,370 . . . . .	358,942 <sup>1</sup>
Louisiana, . . . . .	..... <sup>4</sup> . . . . .	333,463
Maryland, . . . . .	29,767 . . . . .	487,969
Massachusetts, . . . . .	336,010 . . . . .	357,506
Mississippi, . . . . .	109,450 . . . . .	252,099
Missouri, . . . . .	155,383 . . . . .	155,383
Pennsylvania, . . . . .	992,541 <sup>2</sup> . . . . .	1,075,168
Tennessee, . . . . .	157,627 . . . . .	368,500
Texas, . . . . .	427,800 . . . . .	553,313 <sup>3</sup>
Virginia, . . . . .	262,429 . . . . .	569,419
West Virginia, . . . . .	94,109 . . . . .	106,708 <sup>4</sup>

<sup>1</sup> The figures here given are from the Auditors' reports (Ky. p. 235; W. Va. Appendix A. p. 26). They do not tally with the figures of receipts given in Table III and found in Auditors' reports (Ky. p. 132; W. Va. p. 16). <sup>2</sup> Including tavern licenses. <sup>3</sup> For ten months. <sup>4</sup> Not given.

## F. THE INHERITANCE TAX.

The collateral inheritance tax is found in five commonwealths, *viz.* Delaware, Maryland, New York, Pennsylvania and West Virginia. It varies from 2½ per cent in Maryland

to 5 per cent in Pennsylvania and New York. The proceeds will be found in Table III. In New York the tax exists since 1884, and the yield has increased largely every year. The comptroller predicts that it will soon exceed one million dollars annually. In Pennsylvania the proceeds are also very large. In West Virginia the tax was imposed only in 1887, so that the operation of the law has only just begun. In Alabama a general collateral inheritance tax formerly existed but was repealed in 1883 except as to strangers in blood of the predecessor. The yield in 1888 was therefore insignificant.

In Maryland, in addition to the inheritance tax, we find what may be called a species of *succession duties*, *i. e.* a tax of 10 per cent on the commissions of executors and administrators. This yielded \$39,259 as over against \$57,767 from the inheritance tax proper. In New Hampshire there was formerly a tax of 1 per cent on all legacies and successions, to defray the cost of the probate court. But the tax was repealed in 1883.

#### G. THE INCOME TAX.

The income tax exists as a general tax only in Virginia, but it is found in part in four other cases, Massachusetts, North Carolina, Pennsylvania and Tennessee. In Massachusetts the assessment of personal estate must include, according to law, "so much of the income from a profession, trade or employment as exceeds the sum of \$2,000 a year," but no income is taxed when derived from property already subject to taxation. The proceeds cannot be given, as they are not separated from the general property tax. But it is notorious that the law is very rarely executed. In North Carolina the tax on net incomes amounted to \$2,165 and is included in the general taxes. The tax is at the rate of 1 per cent, without exemption, on the incomes and profits derived from any property not taxed during the preceding year, and at the rate of  $\frac{1}{2}$  of 1 per cent on incomes derived from salaries or fees, \$1,000 being exempted from all such salaries or fees as

are necessary expenses for conducting the business or supporting the family. In Pennsylvania the 3 per cent tax on net earnings or income applies, as explained above, in so far as individuals are concerned only to private bankers and brokers. It also affects unincorporated banking or saving institutions. This explains the large receipts, \$88,074. In Tennessee incomes derived from shares of stock or bonds of corporations exempt by charter from the property tax are taxable at the rate of 5 per cent. In Massachusetts there is also a tax on the net yearly income of ships and vessels engaged in the foreign carrying trade. Finally in many of the commonwealths including Massachusetts the income from annuities is taxable, but in most cases such income is legally declared to be personal property, and therefore included in the general levy. In Montana and Nevada the *proceeds* of mines are taxable as personalty. Thus only in Virginia do we find a general tax on incomes, the rate being 1 per cent on all incomes above \$1,000. But even here the assessment is more or less of a farce, as the receipts amounted only to \$15,939. In Alabama there was formerly a tax "on salaries, gains, incomes and profits" in all cases except where there already was a tax on gross receipts of certain classes. The tax however was counted as a part of the property tax, and yielded so little that it was abolished in 1884.

The income tax in our American commonwealths is therefore still in an inchoate condition. It has thus not been included in Table III under a separate heading. This is not the place to discuss the attempts lately made in several commonwealths to secure its introduction and development.

## H. OTHER TAXES.

1. *Commission Tax.* The tax on commissions is practically a license tax on various commonwealth officials. It is found in six commonwealths. In Florida it is a tax of from \$1 to \$15 on the commissions issued to all officers. In Maine



it is called "duties on commissions." In Maryland the "tax on official commissions" varies from \$10 to \$300. It is paid by judges, sheriffs, registers of wills, notaries public and various inspectors. In Pennsylvania and Virginia the chief form of the tax is the tax on notarial commissions or seals, which in all other commonwealths is included among the fees. But in Pennsylvania the recorders of deeds collect \$10 on the commissions of a large number of public officers, the proceeds of which are included in the tax on "writs, wills and deeds." In Tennessee the proceeds of the tax on commissions are included in the licenses. The yield of the commission taxes in general is insignificant as can be seen from Table III.

2. *Stamp Taxes.* These are found in seven commonwealths, but even then under a different name. The term is not strictly correct because stamps are used in almost no cases. But the designation is retained as a convenient term covering the contributions which in other countries are usually included under the head of stamp taxes. They form a considerable share of the ordinary receipts only in Kentucky, Pennsylvania and Virginia. The taxes are as follows: in Kentucky there are taxes on law processes, deeds, mortgages, seals (paper to which the seal of state is affixed), and suits. The proceeds were about \$40,000, included for the most part in the licenses. In Maryland there is a "tax on protests" of \$1,532. In Pennsylvania there is a "tax on writs, wills and deeds," which yielded \$149,298. This is composed, with the exception noted above, chiefly of fees paid to the prothonotaries or clerks of the various courts, the register of wills and the recorders of deeds. The sums charged vary from twenty-five cents to \$3.50. When the net receipts of these officers amount to more than \$2,000 per annum, fifty per cent of the surplus must be paid into the state treasury. In North Carolina there is a tax of 50 cents to \$1,000 on seals and scrolls, which yielded \$636. In Tennessee there is a tax on the conveyance of lands which yielded

\$7,171. It is included in the privilege taxes. In Virginia we find a tax on law processes, deeds and wills, which yielded \$98,528. In West Virginia there is a tax on seals, which yielded \$484.

It will be seen that many of these taxes are nothing but fees, which in other commonwealths are entered as such.

3. *Auction Tax.* In almost all the southern commonwealths the licenses include auctioneers; and as we have seen there are licenses on auctioneers in several of the other commonwealths. In three cases however we find a special auction tax apart from the licenses. These are Florida, New York and Ohio. The receipts are insignificant except in New York. Here the yield was \$17,417; but even here, where the tax exists since 1846, the comptroller complains of the continually decreasing yield.

4. *Dog Tax.* This tax is found very frequently. The receipts however as classified in the reports are exceedingly small. This is due partly to the fact that they are often included in the general property tax receipts, partly to the fact that the proceeds are frequently reserved for the counties or towns. The purpose of the tax in general is to indemnify the sheep owners for depredations committed on their flocks by stray dogs. As it has been impossible to find anything but fragmentary statistics, they are totally omitted here.

5. *Tax on Litigation or Law Suits.* A tax generally imposed on the unsuccessful party is found in four commonwealths, *viz.* Kentucky, South Carolina, Tennessee and Wisconsin. The proceeds are insignificant.

6. *Tax on Playing Cards.* This is found only in Kentucky. It yielded \$320, included in the licenses.

7. *Tax on Coal.* This is found only in Washington, with a yield of \$1,563.

8. *Tax on Lotteries.* Louisiana obtains a revenue of \$40,000 from a privilege or license tax on the Louisiana state lottery. Kentucky also has receipts of \$4,000 from this source.

None of these miscellaneous taxes, except the tax on commissions, appears in Table III.

#### J. FEES.

The fees usually found in the commonwealths are mainly derived from the state courts, insurance companies, notaries public, prothonotaries, registers of land offices and a few other public officers. They may be classed mainly as judicial and ordinary administrative fees. In the larger commonwealths there is a great variety of other fees, derived from special commissions. In Massachusetts *e. g.* we find several commissions, which collect or are supported by fees, *viz.* insurance commissioners, railroad commissioners, gas commissioners, inspectors of gas meters, boards of registration in pharmacy, and in dentistry. Several of these are called taxes, as the railroad companies tax, the gas commissioner tax, the gas light companies tax,—but they are really fees. In New York there are also many boards and commissions. The comptroller recommends that the expenses be in all cases paid by fees on the interested parties only.

In Table III the insurance fees in all cases where it was possible to discover their amount have been tabulated with the insurance taxes, especially as the two terms are interchangeable in many cases.

In the southern commonwealths the fees are derived in large part from the inspection of fertilizers. In Georgia where the fees are especially large the vast majority, \$94,115, are from this source. In most of the other southern commonwealths these fees are included under the heading “department of agriculture,” and in a few cases like North Carolina and Virginia they bear the special designation “fertilizer tax,” paid for the official analysis. In South Carolina they are called privilege tax from the department of agriculture.

As stated above many of the taxes under the heading H are nothing but fees. The figures given in Table III are hence really not susceptible of comparison. To escape from the confusion is possible until a uniform classification is devised.

## K. RECEIPTS FROM LANDS.

The receipts from lands as found in Table III are chiefly from the sale or lease of the lands granted by the United States for educational or internal improvement purposes. In some cases like Minnesota the sale of timber from the lands yields large returns (\$95,869). Only one commonwealth, Texas, possesses a public domain of its own. At the close of the last fiscal year this amounted to more than sixty-seven million acres. This explains the abnormally large receipts from lands, which are so important that the treasury department of Texas is divided into a finance and a land department. New Jersey formerly possessed large tracts of land under water, which were leased out. The proceeds of these leases are still classed as "rents from riparian leases," but are now much smaller than formerly, owing to the policy of converting the leases into sales through the riparian commission. The rents on riparian leases in 1888 amounted to \$34,754, the proceeds of grants for riparian lands \$89,726.

A most interesting example of the growing tendency opposed to the entire alienation of the public domain is found in Minnesota. The auditor here refuses to sell certain lands, because in his opinion the law should be so amended as to reserve to the state all mineral lands. He holds that the lands should be leased for long terms, but that the state should not part with its title.

The wholesale destruction of our forests has led several of our commonwealths to constitute forestry commissions. Instead of selling the state lands, some are now increasing their possessions. In New York *e. g.* the law of 1883 forbids the sale of state lands. When the forest commission assumed its duties in 1885 the acreage was 685,259. The forest preserve is now 786,073 acres, notwithstanding the cancellation of a large amount for invalidity of the tax sales.

In all the commonwealths a certain proportion of the receipts from lands were from lands sold for non-payment of

taxes. In only a few cases however do the reports contain any separate statistics of these. Mississippi held until within a few years ago immense tracts of lands under sales for taxes. Most of these have recently been sold, so that of late, as the auditor tells us, only nominal sales have occurred.

#### L. PRODUCTIVE PROPERTY.

The income from productive property plays a very small role in commonwealth finance. With the exception of the trust funds very few commonwealths possess any productive property at all. In the discussion of the trust funds (page 381) we saw that four commonwealths, *viz.* Delaware, Georgia, Maryland and New Jersey, derived an income from a general state fund consisting of securities, the proceeds of which were applied to general commonwealth purposes. In addition to these trust funds proper, we find productive property only in the following six commonwealths: Georgia owns the Western and Atlantic railroad, the rental of which amounts to \$300,000. New York owns the Onondaga salt springs, which it leases out in plots. The expenses of inspection, however, exceed the revenue to the commonwealth. The salt duty of one cent a bushel amounted to \$52,331 while the expenses were \$67,783. The Erie Canal which was formerly a source of income is now, since the abolition of tolls in 1883, a source of expense. South Carolina owns large tracts of phosphate lands, which it leases out. The phosphate royalty amounted to \$187,064. There is at present some talk of selling out the entire commonwealth interest in the lands, in order to pay the debt. New Jersey derives a rental of \$25,000 from the Morris Canal and Banking Company. The other items included in Table III under the heading "rent" are derived mainly from the rent of riparian lands. California derives a rental of \$274,819 from its wharves. Ohio has large receipts from canal tolls, water rents *etc.*, but the expenses of its canals exceed the income.

It may be said finally that the commonwealth budgets present in general a favorable showing. There are a few cases of temporary embarrassment owing to various reasons. In Florida the comptroller calls the situation serious because of the extremely low rate of taxation, and maintains that the debt will continually increase until a readjustment of the financial condition is attained. In Mississippi the revenue is insufficient and the debt is increasing. In Nevada the comptroller complains bitterly, and strenuously demands new sources of revenue, as the reduction of the poll tax and the impossibility of enforcing the drummer tax leave the budget in a perilous shape. In North Carolina the auditor demands an increase of the general tax rate by one third. But in most cases the commonwealth budget is simple and easily arranged when compared to the local budgets.